

VZCZCXRO3256  
PP RUEHMA RUEHPA  
DE RUEHUJA #1109/01 1700740  
ZNR UUUUU ZZH  
P 190740Z JUN 09  
FM AMEMBASSY ABUJA  
TO RUEHC/SECSTATE WASHDC PRIORITY 6351  
INFO RUEHOS/AMCONSUL LAGOS 1536  
RUEHGB/AMEMBASSY BAGHDAD 0393  
RUEHZK/ECOWAS COLLECTIVE  
RHEBAAA/DEPT OF ENERGY WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCPDOG/DEPT OF COMMERCE WASHDC

UNCLAS SECTION 01 OF 02 ABUJA 001109

SENSITIVE

SIPDIS

DEPT FOR OES/EGC FOR MOORE AND FOR EEB/ESC/IEC/ENR HENRY  
DEPT PASS TO USAID AFR/SD FOR CURTIS AND ATWOOD  
DEPT PASS TO USTR-AGAMA, USTDA-MARIN AND EXIM-RICHTER  
BAGHDAD FOR MCCULOUGH  
DEPT OF ENERGY FOR GEORGE PERSON  
TREASURY FOR PETERS AND IERONIMO  
DOC FOR 3317/ITA/OA/BURRESS, 3130/USFC/OIO/ANESA/HARRIS

E.O. 12958: N/A

TAGS: [EPET](#) [SENV](#) [ENRG](#) [ECON](#) [EIND](#) [EINV](#) [TRGY](#) [TPHY](#) [NI](#)

SUBJECT: NIGERIA: DAS HENGEL MEETS WITH GON PERM SEC FOR PETROLEUM  
RESOURCES

REF: ABUJA 1050

SENSITIVE BUT UNCLASSIFIED; NOT FOR DISSEMINATION OUTSIDE OF USG

11. (SBU)SUMMARY: After the conclusion of a two-day U.S.-NIGERIA roundtable on energy and climate change (Reftel), the U.S. delegation, headed by Deputy Assistant Secretary Douglas Hengel of the Bureau of Economic, Energy, and Business Affairs, met on May 22 with the Permanent Secretary of the Nigerian Ministry of Petroleum Resources, Mr. Adefemi Sola Olayisade, to explore next steps. DAS Hengel expressed U.S. appreciation for Nigeria's partnership on a range of issues and his satisfaction with the discussions at the roundtable. The DCM outlined the various assistance and development programs that the US Mission is undertaking. Olayisade expressed the GON's gratitude for U.S. development assistance, praised the strong US-Nigerian relations, and gave a brief overview of GON reforms in the oil and gas sector. He expressed GON's interest to partner with the U.S. on developing Nigeria's oil and gas sector and encouraged the U.S. to identify potential areas of interest in the sector. Throughout the two days of engagement (May 21 -22), the constant refrain of Nigerian officials was how the new U.S. energy policy would affect U.S. demand for Nigeria hydrocarbons. The U.S. delegation, while clearly stating the unsustainability of current global rate of fossil fuel consumption and U.S. determination to find solutions, assured Nigerian counterparts that U.S. demand for Nigerian oil and gas will remain high for the foreseeable future. As Nigeria refines and fine tunes its oil and gas reform agenda, the Mission will stay in touch with key players to encourage transparency and a better outcomes. End Summary.

Nigeria Sees Nexus between Energy and the Environment

12. (SBU) After a brief exchange of pleasantries and a brief summary of the preceding two day's (May 21-22) discussions at the roundtable, DAS Hengel noted the unsustainable nature of current global rate of fossil fuel consumption and the U.S.'s determination to find solutions in partnership with others nations. George Person, Director for Africa and Middle Eastern Affairs at the Department of Energy, added that, although the U.S. is determined to find solutions to the current unsustainable rate of fossil fuel consumption, demand for Nigerian oil and gas will remain high for the foreseeable future. The DCM outlined the various assistance and development programs that the US Mission is undertaking. On climate change, the U.S. delegation stated that the U.S. is in a listening

mode and that the new Obama Administration has introduced legislation in the US House of Representatives to enable it to negotiate at Copenhagen and beyond. (Note: Olayisade declined to comment on climate change and the GON's position on the issue saying the issue is under the purview of the Ministry of Environment. The Minister of Environment, Minister of State for Petroleum Resources, and the Group Managing Director of the Nigerian National Oil Company were expected at the meeting but did not attend due to a simultaneous visit by the French Prime Minister. End Note). Olayisade noted that because of the clear nexus between energy utilization and its impact on the environment, the GON has put together an integrated reform agenda for both the oil and gas sector. He said the reform will enable the GON to tackle the twin problems of electricity shortage and environmental degradation due to gas flaring.

#### Nigeria Reforming its Oil and Gas Sector

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13. (SBU) According to the Permanent Secretary a lot has been happening in the Nigerian energy sector since last year -- beginning with the breakup of the Ministry of Energy into the Ministries of Power and Petroleum Resources. Olayisade said that the current reform agenda consists of the Oil and Gas Reform Bill, under consideration by the Nigerian National Assembly, and the Gas Master Plan, which has been approved by the Federal Executive Council and its execution began. He stated that the Oil and Gas Reform Bill will restructure the Nigeria National Petroleum Corporation (NNPC) giving it more commercial orientation. He noted that the sector will be fully deregulated to encourage joint ventures in the upstream and downstream sectors, attract investment, and introduce operational efficiency and effectiveness.

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14. (SBU) Olayisade noted that the new Gas Master Plan, which has been approved by the Federal Executive Council and whose execution has begun, will guide GON efforts to enhance gas utilization for power generation and reduce gas flaring associated with oil production. He noted that despite Nigeria's proven huge gas reserves, historically the focus has been on the oil sector to the detriment of benefits from gas. He said that there is a huge domestic, regional and international market for Nigeria's natural gas and that the master plan will expand significantly existing gas collection and distribution network, which will enable localized power generation. He described current GON security operations in the Niger Delta as a necessary step to weed out criminal gangs hampering development and predicted that the Delta will be open for business soon. Olayisade stated that 15 companies (12 foreign and 3 local) have been selected to be core investors in the gas sector under the new Gas Master Plan. He expressed GON interest in a U.S.-Nigeria partnership in the oil and gas sector and asked that the U.S. identify specific opportunities in the sectors.

15. (SBU) COMMENT: The meeting with Perm Sec Olayisade, which followed on the heels of the two-day U.S.-GON roundtable on energy and climate change, provided a platform to recap discussions at the roundtable and explore future partnership in the oil and gas sector. Throughout the two days of engagement (May 21 -22), the constant refrain of Nigerian officials was how the new U.S. energy policy would affect U.S. demands for Nigerian oil. The U.S. delegation used the opportunity to assure GON interlocutors that demand for Nigerian oil and gas will remain high for the foreseeable future, while noting the unsustainable nature of current consumption patterns of fossil fuel and the U.S.' determination to find solutions. The U.S. Mission recommends seizing the opportunity to form a partnership with the GON on the oil and gas sector. The Mission will continue to engage the GON as it moves forward with its reform agenda for the oil and gas sector to encourage a transparent process and better outcome.

16. (U) State/EEB and Consulate Lagos cleared this cable.

SANDERS